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Message Text

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55
ACTION EA-14

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 STR-08 RSR-01 /117 W
---------- 016509
R 210835Z AUG 73
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 5018
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY SINGAPORE

LIMITED OFFICIAL USE KUALA LUMPUR 3691

E.O. 11652: N/A
TAGS: ETRD
SUBJECT: SINGAPORE MALAYSIA RUBBER MARKET SPLIT

REF: (A) SINGAPORE 3254; (B) KUALA LUMPUR A87

1. SUMMARY. GOM DECISION ON "RUBBER MARKET SPLIT" IS ONE FURTHER STEP TOWARD GOM OBJECTIVE OF MOVING RUBBER MARKETING FROM SINGAPORE TO KUALA LUMPUR AS EMBODIED IN RUBBER ACT OF 1973 SUMMARIZED REF B. END SUMMARY.

2. ACCORDING TO KL RUBBER OFFICIALS GOM HAS NOW CUT OFF ALL RUBBER TRANSACTIONS TO SINGAPORE PENDING GOS AGREEMENT THAT QUOTATIONS ON SINGAPORE EXCHANGE WILL BE IN MALAYSIAN RINGGIT. (A QUICK CHECK ON TRADE OPERATIONS INDICATES CUTOFF LESS THAN PERFECT SO FAR.) DISCUSSIONS BETWEEN SINGAPORE AND KL MARKET OFFICIALS ARE PROCEEDING NOW IN HOPE OF WORKING OUT CONDITIONS UNDER WHICH ACTIVE TRADING CAN BE RESUMED. GOM AND LOCAL RUBBER OFFICIALS SAY THIS STEP IS REQUIRED BY GROWING GAP IN SINGAPORE AND KL RUBBER QUOTATIONS, EG AUGUST 12, RSS 1
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QUOTED IN SINGAPORE AT 191 CENTS PER KILO AND

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187 CENTS PER KILO IN KL, A GAP WHICH IN TURN IS
CONSEQUENCE OF DIVERGING MONEY VALUES.

3. E.J.TAN, CHAIRMAN OF RUBBER ASSOC. OF SINGAPORE
TOLD EMBOFF YESTERDAY THAT GOM ACTION WOULD
HAVE NO PRACTICAL EFFECT, AS SINGAPORE WOULD
CONTINUE TO TRADE IN MALAYSIAN RUBBER. HE ADDED,
HOWEVER, THAT THIS WBHLD DEPEND ON HOW MALAYSIANS
CARRY OUT THEIR DECISION TO BUILD UP SEPARATE MARKET
IN KL. IN FACT TAN APPEARED WORRIED ABOUT OUTCOME
AND SEEMED LACKING SOME OF HIS USUAL CONFIDENT ATTITUDE.

4. COMMENT. WE AGREE WHOLLY WITH COMMENT PARA 4
REFTEL A THAT GOM MOVE NOT REALLY MOTIVATED BY
DIVERGENCE IN EXCHANGE RATES, AND NOTE THAT
INFORMED OPINION IN KL CONCURS THIS VIEW. IN
OUR JUDGMENT EXCHANGE RATE DIVERGENCE PROVIDES
ONLY OUTWARD OCCASION FOR GOVETO TAFX A FURTHER
STEP TOWARDS BASIC GOAL OF MOVING RUBBER TRADE
FROM SINGAPORE TO KL. LEGISLATION PASSED EARLY
1973, SUMMARIZED REF B, PROVIDES COMPREHENSIVE
STATUTORY BASIS FOR MODERNIZING RUBBER INDUSTRY
IN MALAYSA AND ACTION REPORTED REF A IS ONE IMPLEMENTING MOVE ON
THE LEGISLATION.
LYDMAN

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